

# **MASSACHUSETTS GROUNDFISH RELIEF FOR IMPACTS OF FRAMEWORK 42**

## **(Revised May 12, 2008)**

### **Introduction and Background**

Coastal communities along the Eastern seaboard and throughout the Commonwealth have long depended on the fishing industry as a major economic factor. Over the past 2 decades, stressed stocks, lower profitability and increased regulatory oversight have led to an overall consolidation of the fishing fleets; resulting in fewer active vessels and the movement of vessels into the few remaining major 'fishing ports'. The Northeast groundfish fishery is rooted in Massachusetts, with over 50% of the \$100 million (ex-vessel) industry landing their catch here. Sustainability of the fishery resource and the economic viability of the fishing industry must be balanced to ensure this historic industry survives at a profitable level.

The current fisheries management system is making it extremely difficult, especially for small-boat operations working off the Massachusetts coast, to conduct practical, economically-sound fishing operations. As a result, there are numerous impacts felt by individuals, companies and families directly engaged in fishing or who rely on fishing-related activity for a major portion of their income. The implications of Framework 42 regulations and other (prior) state and federal actions aimed at curbing fishing effort in the Commonwealth's groundfish fishery, are wide-ranging and affect individuals in different ways depending on the types of permits they hold and regions that they fish (see appendix A).

The 2008 Congressional Appropriations Conference Report appropriated \$13,395,000 to the Massachusetts Division of Marine Fisheries (*MarineFisheries*) to alleviate economic impacts associated with Framework 42 regulations on the Massachusetts groundfish fishery. While our recommendations for use of these federal funds address a broad segment of fishery participants in a fair and equitable manner, our focus is on the brunt of Framework 42, as instructed by the legislation.

### **Statement of Work**

*MarineFisheries* recommends that \$12,708,816 be disbursed in direct subsidies to fishermen. The remaining \$686,184 is slated for state (\$338,249) and federal (\$347,935) administrative costs.

*MarineFisheries* has prepared these recommendations for distribution of federal assistance funds to members of the Massachusetts groundfish fishery. A state Drafting Group and an Industry Subcommittee met on several occasions to develop a public information document (PID) detailing proposed appropriations of funds by activity. The PID was presented at three public meetings on April 1<sup>st</sup> – 3<sup>rd</sup> held in New Bedford, Plymouth and Gloucester, respectively.

Based on comments received at public meetings and received by phone, email and regular mail, *MarineFisheries* has refined its recommendations to provide an expedient program that takes into account our discussions with members of the Drafting Group & Industry Subcommittee as well as our known resources and limitations relative to grant administration.

**A. Direct economic relief for the Commonwealth's fishing industry affected by Framework 42 fishing restrictions:**

Direct subsidies (payment) totaling \$11,325,000 would be allocated to four sectors of the Commonwealth's groundfish fishing industry. These sectors are (1) federally permitted commercial fishermen with "A" DAS, (2) federally permitted limited access commercial fishermen without "A" DAS, (3) non-federally permitted commercial groundfish fishermen, and (4) federally permitted for-hire (charter and head-boat operators/owners) fishermen. A fifth sector, crew members employed aboard commercial fishing boats, would be provided for under a separate program allocated \$1,383,816 in relief funds.

A total of \$11,325,000 will be allocated based on the percent of total groundfish landed in the Commonwealth by each sector: 94% (\$10,645,500) for the "A" DAS applicants, 3% (\$339,750) for non-federally permitted applicants, and 3% (\$339,750) for the federally-permitted for-hire applicants. The number of applicants expected to qualify for the federally permitted limited access commercial sector without "A" DAS will be too low to allocate a set-aside amount. Whatever the amount is for this sector, it will be deducted from the "A" DAS set-aside.

**1. Federal Groundfish Applicant ("A" DAS) Program (\$10,645,500)**

*Eligibility Criteria:*

- a. applicant must be the owner of a vessel with a federal limited access multispecies groundfish permit that had allocated "A" DAS on May 1, 2007;
- b. must be the permit holder (owner) of record on March 15, 2008 to qualify to receive funds;
- c. must have held a 2007 Massachusetts Boat (landing) permit naming that vessel (on the federal permit) with a homeport in Massachusetts. If no homeport is listed on the Massachusetts Boat permit, homeport will be identified based on the federal permit as of March 15, 2008.

*Allocation Criteria:* Number of allocated "A" DAS (not including carry-over DAS) on May 1, 2007.

*Allocation Formula:* Determine an applicant's permits' portion of allocated "A" DAS among all eligible permit holders and apply that percentage to the total amount of available funds for this sector.

*Exceptions:* In those cases where applicants own multiple vessels and permits, and lease the "A" DAS from one vessel to another, but do not hold state landing permits on all vessels, the applicants must verify their ownership of all vessels and permits in question thereby demonstrating that the leasing of DAS was transacted internally (to themselves).

*Marine Fisheries* may develop limitations on the total amount of Direct Subsidies received by a single owner to ensure that the allocation of limited monies available for direct subsidies results in assistance to a representative range of those fishermen who are experiencing the most severe economic hardship and to accommodate applicants who own multiple vessels and federal permits.

## 2. Federal limited access (non-DAS) Program

### *Eligibility Criteria:*

- a. applicant must be the owner of a vessel with a federal limited access Handgear A (Category HA) multispecies groundfish permit on May 1, 2007;
- b. must be the permit holder (owner) of record on March 15, 2008 to qualify to receive funds;
- c. must have held a 2007 Massachusetts Boat (landing) permit naming that vessel (on the federal permit) with a homeport in Massachusetts. If no homeport is listed on the Massachusetts Boat permit, homeport will be identified based on the federal permit as of March 15, 2008.
- d. must have landed and sold at least 10,000-lbs. of multispecies groundfish in any one calendar year during January 1, 2004 to December 31, 2007.

*Allocation Criteria:* Eligible applicants can receive a flat-rate subsidy equal to 37.5% of the flat-rate subsidy paid to qualifying non-federal commercial groundfish fishermen. This percentage (37.5%) is based on the daily cod trip-limit differential between these two sectors (300 pounds vs. 800 pounds).

## 3. Non-federal Groundfish Program

### *Eligibility Criteria:*

- a. Must have held a State Waters Groundfish Endorsement (GE) during calendar year 2007;
- b. have landed and sold at least 10,000-lbs. of multispecies groundfish in any one calendar year during January 1, 2004 to December 31, 2007.

### *Allocation Formula:*

a. Flat rate = 
$$\frac{\$339,750}{\text{all eligible applicants}}$$

- b. Flat rate will not be allowed to exceed median funds paid to federally permitted commercial fishermen.

## 4. For-hire Groundfish Permit Holder Program

### *Eligibility Criteria:*

- a. must hold a federal for-hire permit and Massachusetts for-hire endorsement with a Massachusetts homeport during the period May 1, 2007 to March 15, 2008; and
- b. must have made at least one authorized party/charter trip in the Gulf of Maine (NMFS Statistical Areas 512-515, 521) between November 1, 2005 and March 31, 2006 that kept at least one cod as documented on federal Vessel Trip Reports (VTRs).

*Allocation Criteria:* Number of party/charter trips in the Gulf of Maine (NMFS Statistical Areas 512-515, 521) between November 1, 2005 and March 31, 2006 that kept at least one cod as document on federal VTRs.

*Allocation Formula:* Determine applicant permit's portion of total trips among all eligible permit holders and apply that percentage to the total available funds for that sector (\$339,750).

*The set-aside amount for this sector was initially set at 1.4%. That percentage was based on this sector's portion of all Massachusetts groundfish landings, consistent with how other (commercial) sectors are being treated. If landings are based solely on GOM cod, than this sector's portion would rise; perhaps to as much as 10-15%. The Division has recalculated this sector's portion by including cod, haddock and pollock, which justifies increasing its percentage to 3%.*

5. Appeals Set-aside & Process

- a. Appeals will be accepted during a finite time period based primarily on the validity of records obtained from NOAA Fisheries or MA DMF.
- b. Final subsidies will not be announced until conclusion of appeals process.

6. Enforcement Disqualifications:

*Marine Fisheries'* administration of the limited federal funds will also be consistent with the related conservation and compliance goals of the federal and state regulatory framework governing Framework 42. To achieve that end, applicants eligible for this federal financial assistance are required to be in compliance with applicable federal and state fisheries regulations, as determined by *Marine Fisheries*. More specifically, any applicant with the following non-compliance status will be ineligible to receive assistance:

- a. Any applicant whose DMF-issued state landing permit or federal multispecies groundfish permit has been suspended by DMF or NOAA respectively. The applicant will become eligible for assistance if the permit suspension is lifted during application period.
- b. Any applicant who is in default of paying a fine imposed by NOAA for violation of federal fisheries regulations, or a fine imposed by a state court for violation of state fisheries regulations. The applicant will become eligible for assistance if the fine is paid during application period.

**B. Economic relief for crew members who work in the state's commercial groundfish industry:**

*Applicants who have qualified to receive "A" Program funds or who are listed as a shareholder in a corporation or other entity qualified to receive "A" Program funds, will not also qualify to receive "B" Program funds.*

1. Health insurance coverage for fishermen and their family members (\$633,816)

In 2003, *Marine Fisheries* administered an Insurance Subsidy Program (ISP) through the Fishing Partnership Health Plan. Funds were made available to eligible fishing families through the ISP. With rising cost of insurance and a requirement to have health insurance in Massachusetts, we recommend an expanded program over several years (at least two) through third party/parties.

2. Direct Assistance for Crew (\$750,000)

Shore Support has the infrastructure to distribute crew subsidies throughout the Commonwealth. *Marine Fisheries* is currently working with Shore Support staff to explore the use of their Fishermen's Emergency Relief Fund to ensure fishermen and their families receive assistance.

**C. State grant administration (\$338,249)**

This represents approximately 2.5% of \$13,395,000. Funds would be used for staffing to assist with application procedures, qualify participants, disburse funds, report writing and comply with audit exams.

*Any funds allocated for the state's administration costs, but not spent, will be reallocated to the Health Insurance Subsidy Program before the grants federal contract period ends.*

**D. Federal grant administration (\$347,935)**

This represents approximately 2.6% of \$13,395,000.

**Proposed Budget for Massachusetts Groundfish Relief for Impacts of Framework 42**

<b>Recommendations</b>	<b>Funding Amount</b>
<b><i>Direct Subsidies</i></b>	
A. Direct economic relief for the Commonwealth's fishing industry affected by Framework 42 fishing restrictions:	\$11,325,000
• Federally permitted commercial groundfish sector (with DAS)	(\$10,645,500)
• Non-federally permitted commercial groundfish sector	(\$339,750)
• For-hire groundfish sector	(\$339,750)
• Federal limited access (no DAS)	(TBD)
B. Economic relief for crew members who work in the state's commercial groundfish industry:	\$1,250,000
• Health insurance coverage for fishermen and their family members (crew)	(\$ 500,000)
• Direct support to crew members	(\$ 750,000)
<b>Sub-Total</b>	<b>\$12,575,000</b>
<b><i>Other</i></b>	
State grant administration	\$338,249
Federal grant administration	\$481,751
<b>Sub-Total</b>	<b>\$820,000</b>
<b>TOTAL</b>	<b>\$13,395,000</b>

## APPENDIX A

### The affects of recent regulations and the implementation of Framework 42

Action	Affected Sectors	Results	Comments
Differential 1.4:1 universal DAS counting (interim meas.) during May - Nov	All federally permitted groundfish vessels using "A" DAS	All Vessels with "A" DAS that fished during May – Nov. 21 debited 1.4 days for every DAS used.	Universal impacts on fleets
DAS A/B ratio changed from 60/40 to 55/45	All federally permitted groundfish vessels using "A" DAS	Defacto 8% cut in "A" DAS due to ratio change	Universal impacts on fleets
Differential 2:1 DAS counting	Federally permitted groundfish vessels using "A" DAS in southern Gulf of Maine & portions of SNE	All Vessels with "A" DAS fishing in affected areas that fished during Nov. 22 – April 30 debited 2 days for every 1 DAS used: a resulting 50% cut in days. This 2:1 counting in effect year-round in affected areas	Effects greatest in southern nearshore Gulf of Maine and SNE yellowtail grounds. Many vessel owners leased "A" DAS or purchased additional permits (and vessels) and leased days to themselves.
Vessel Monitoring System required for DAS permit holders	Federal permitted vessels		
Yellowtail Trip Limit in GOM and SNE dropped from variable seasonal amounts to 250 lbs.	Federal and state-permitted vessels		Increased discarding of yellowtail flounder alleged
Recreational Cod Closure: Nov.- March	All recreational fishermen including Federal permitted for-hire (party/charter) vessels	For-hire fleet prevented from fishing for cod in Gulf of Maine	Many for-hire vessels stopped fishing in GOM during Nov.-March
Cod Minimum size increased from 22" to 24"	All recreational fishermen including Federal permitted for-hire (party/charter) vessels	Increased discarding of undersized fish	Many for-hire vessels stopped fishing in GOM during Nov.-March
DMF's MA Bay Cod Conservation Zone Closure (not part of FW 42) Dec. – Feb.	Federal and state-permitted vessels	Cod-producing area closed during most productive months	State waters fishery curtailed for inshore gillnetters and hook-fishermen